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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, JULY 17, 2002

JOINT PETITION OF

AT&T CORP.

CASE NO. PUA-2002-00012

and

AT&T COMCAST CORPORATION

For approval to change control
of AT&T Broadband Phone of Virginia, Inc.,
to AT&T Comcast Corporation

ORDER GRANTING APPROVAL

On March 7, 2002, AT&T Corp. ("AT&T") and AT&T Comcast Corporation ("AT&T Comcast") (collectively, the "Petitioners") filed a joint petition with the State Corporation Commission ("Commission") requesting approval pursuant to § 56-88.1 of the Code of Virginia ("Code") to transfer ownership and control of AT&T Broadband Phone of Virginia, Inc. ("AT&T Broadband Phone of VA"),¹ to AT&T Comcast. Pursuant to an Agreement and Plan of Merger dated December 19, 2001 (the "Agreement"), Comcast Corporation ("Comcast") and AT&T agreed to a transaction whereby

¹ AT&T Broadband Phone of VA provides local and interexchange telecommunications services in the City of Richmond, the Town of Ashland, and the counties of Goochland, Henrico, Hanover, and Louisa pursuant to Certificate Nos. T-371b and TT-30C.

Comcast and AT&T would combine their broadband business by forming a new company, AT&T Comcast.²

AT&T is a New York corporation with headquarters in New York, New York, that currently operates its broadband business as the AT&T Broadband unit. AT&T has formed AT&T Broadband Corp., now a shell corporation, to hold the business composing the AT&T Broadband unit. AT&T is the ultimate parent of AT&T Broadband Phone of VA. On its own, or through its subsidiaries, AT&T is authorized to provide domestic and international telecommunications services throughout the United States.

AT&T Broadband³ provides cable television, video programming, telephony, and high-speed cable Internet services over its broadband networks across the United States. It markets cable telephony service to approximately 7,000,000 households in 16 markets and has in excess of 1,000,000 customers. In the Richmond area, AT&T Broadband Phone of VA currently has more than 28,000 telephony customers.

AT&T Comcast Corporation ("AT&T Comcast") is a Pennsylvania corporation headquartered in Philadelphia, Pennsylvania. AT&T Comcast is a shell corporation that is equally owned by AT&T and Comcast. Upon completion of the transactions for which approval

² The combination of AT&T Comcast with Comcast Corporation is the subject of a separate but concurrent joint petition filed with the Commission by Comcast and certain of its subsidiaries on March 5, 2002 ("Jones Comcast Petition"). That case was docketed PUA-2002-00010.

³ Both the existing unit and the new corporation are referred to herein as "AT&T Broadband."

is requested in this proceeding and the Jones Comcast Petition, AT&T Comcast will be the publicly traded holding company for the businesses of Comcast and AT&T Broadband. At that time, AT&T Comcast will be owned by the shareholders of AT&T and Comcast.

The Petitioners state that the proposed merger will result in a change in the ultimate owners of AT&T Broadband Phone of VA but will not involve any immediate change in the manner in which AT&T Broadband Phone of VA provides service to its Virginia customers. AT&T Broadband Phone of VA will continue to provide telecommunications services in Virginia pursuant to tariffs on file with the Commission.

The Petitioners represent that, following the change of control, AT&T Broadband Phone of VA will continue to be led by a team of well-qualified telecommunications managers, including existing AT&T Broadband Phone of VA personnel. AT&T Broadband Phone of VA and AT&T Broadband will honor all commitments to AT&T Broadband Phone of VA's existing customers.

After the proposed transactions, AT&T Broadband Phone of VA will continue to offer its local exchange and interexchange telecommunications services. These services eventually will be marketed under the name of Comcast rather than AT&T. There will be no change in the direct ownership of AT&T Broadband Phone of VA, only the ultimate ownership of that company will change from AT&T to AT&T Comcast.

Under the Agreement and after receiving the necessary shareholder and governmental approvals, a series of transactions will be implemented to consummate the merger of AT&T Broadband (including AT&T Broadband Phone of VA) with all of Comcast's businesses. AT&T will contribute all of the assets of AT&T Broadband to a new, wholly owned holding company, AT&T Broadband. AT&T will then spin off the AT&T Broadband unit to the shareholders of AT&T. Immediately following the spin-off, Comcast and AT&T Broadband will merge with different, wholly owned subsidiaries of AT&T Comcast.

Specifically, Comcast will merge into Comcast Acquisition Corporation, a newly formed, wholly owned shell subsidiary of AT&T Comcast, with Comcast as the surviving entity. AT&T Broadband will merge into AT&T Broadband Acquisition Corp., also a newly formed, wholly owned shell subsidiary of AT&T Comcast, with AT&T Broadband as the surviving entity.

The Petitioners contemplate that AT&T Comcast may form a wholly owned limited liability company to hold the stock of AT&T Broadband. Such a step, which may be needed to facilitate future financing, would be taken at or soon after the closing of the transaction described herein. In order to avoid the need for further Commission consideration of this possible intra-corporate change, the Petitioners are requesting approval of this transaction as part of their joint petition.

Following these steps, AT&T Comcast will be the new public company of AT&T Broadband and Comcast, which will be wholly owned "brother/sister" subsidiaries of AT&T Comcast. As a result, AT&T Comcast will consist of both companies' interests in programming services, with both companies' telecommunications services as well as other assets owned by the two companies.

Upon completion of the merger, each Comcast shareholder will receive one share of the corresponding class of AT&T Comcast stock in exchange for each share of Comcast stock. Each AT&T Broadband shareholder will receive approximately .34 shares of AT&T Comcast stock in exchange for each AT&T Broadband share, subject to adjustment as provided for in the Agreement.

On March 29, 2002, the Commission issued its Order for Notice and Comment. On April 5, 2002, the Commission entered an order granting the Petitioners' request to publish the notice prescribed in the above-referenced order as classified advertising rather than display advertising. That Order also extended the period of review of the joint petition through July 31, 2002, and extended the procedural schedule established in the Commission's March 29th Order. The Petitioners filed proofs of notice and service on May 9, 2002.

On May 20, 2002, the county of Arlington, Virginia (the "County"), filed Comments on the joint petition. In its Comments, the County expressed concern regarding the financial ability of AT&T Comcast to meet its service obligations under a

cable certificate granted by the County. The County, therefore, requested the Commission to pay particular attention to the financial aspect of the above-referenced transactions.

On May 31, 2002, Staff filed its Report. Staff reviewed the proposed transactions from a financial standpoint, with respect to the actual and potential effects of such transactions on telecommunications competition in Virginia, and with respect to the effect of those transactions on rates and service in Virginia. Such rates and services were examined to the extent of the Commission's jurisdiction in the matter; namely, the telecommunications services provided by AT&T Broadband Phone of VA.

Staff had no objection to the approval of the proposed transactions from a financial perspective. Staff stated that, because the assets of AT&T Broadband and Comcast will be combined, the combined entity may be able to attract capital better than each individual entity. Staff agreed with the Petitioners that, although AT&T Comcast's financial ratios on a stand-alone basis are less favorable than Comcast's, AT&T Comcast's ratios are more favorable than the ratios of AT&T Broadband, individually. Staff noted that AT&T Broadband will obtain its financing through AT&T Comcast's business planning process and that the Petitioners represent that the new AT&T Comcast will be financially strong.

In evaluating the joint petition with respect to competitive activity in Virginia, Staff considered the transactions' effect on AT&T Broadband Phone of VA. Staff evaluated the long distance and the local exchange markets with respect to any actual or potential anti-competitive effect of the merger and the resulting negative impact on just and reasonable rates pursuant to § 56-90 of the Code. Staff did not object to the proposed change of control of AT&T Broadband of VA as it relates to current or potential interexchange and local exchange competitive activity in Virginia. Staff also noted, however, that the Commission does not regulate the provision of cable service.

Staff had concerns regarding AT&T Broadband Phone of VA's service quality performance. Staff was concerned that current service problems may continue or become worse after the proposed transfer and that there would be an adverse impact on the provision of adequate service. Staff, however, did not oppose approval of the joint petition, subject to the following requirements:

1. AT&T Broadband Phone of VA must achieve a satisfactory rating in all relevant service quality areas pursuant to 20 VAC 5-400-80 or any other service quality standards the Commission may adopt, beginning with the 4th quarter 2002 reporting period;

2. AT&T Broadband Phone of VA shall make personnel available to immediately respond to Commission complaints and other Staff inquiries during normal business hours;

3. AT&T Broadband Phone of VA shall resolve out-of-service Commission complaints within 24 hours of notification by Staff. If the condition cannot be resolved within 24 hours, AT&T Broadband Phone of VA shall provide to the Staff a detailed, written explanation, which would include the projected time frame for resolution; and

4. AT&T Broadband Phone of VA shall resolve or provide a status of other Commission complaints within five business days of notification by Staff.

Staff also recommends that a Report of Action be filed within 30 days of consummating the merger transactions wherein the Petitioners will provide notification that such transactions have taken place.

On June 17, 2002, the Petitioners filed Comments on the Staff's Report ("Comments"). In their Comments, the Petitioners request that the Commission approve the joint petition without any requirements or conditions. The Petitioners note that they submitted a Plan of Action to the Commission's Division of Communications and implemented such Plan three months ago. Attached to those Comments was a June 12, 2002, Amended Plan of

Action designed to address the service quality requirements detailed in Staff's Report. Subsequently, the Petitioners submitted a revised Amended Plan of Action dated June 25, 2002, which included remedial action to address remaining service concerns in Staff's Report. The Amended Plan of Action dated June 25, 2002, is attached hereto (Attachment A).

In a letter dated July 11, 2002, Staff advised counsel for the Petitioners that the June 25, 2002, Amended Plan of Action satisfies the service quality concerns detailed in Staff's Report.

NOW THE COMMISSION, having considered the joint petition, Comments filed by the County, Staff's Report, and the Comments thereto, finds that approval of the joint petition will not jeopardize or impair adequate service at just and reasonable rates. We note Staff's letter dated July 11, 2002, wherein Staff advised the Petitioners that the Amended Plan of Action dated June 25, 2002, satisfies the service quality concerns detailed in Staff's May 31, 2002, Report. Additionally, we note further remedial action available through the Commission's Rules Governing Service Standards for Local Exchange Telephone Companies, 20 VAC 5-400-80, and other provisions of the Code. Although we will approve the joint petition without the requirements detailed in Staff's Report, we will direct AT&T Broadband Phone of VA to implement the remedial service quality

action detailed in its Amended Plan of Action dated June 25, 2002.

Accordingly, IT IS ORDERED THAT:

(1) Pursuant to §§ 56-88.1 and 56-90 of the Code of Virginia, approval is hereby granted for the Agreement and Plan of Merger, as described in the joint petition.

(2) AT&T Broadband Phone of VA shall implement the remedial service quality actions detailed in its Amended Plan of Action dated June 25, 2002.

(3) The Petitioners shall file a Report of Action with the Clerk of the Commission no later than 30 days following the consummation of the transactions detailed herein.

(4) There being nothing further to be done in this matter, it is hereby dismissed.